

# ANOTHER LOOK AT THE 30-YEAR GOVERNMENT BOND WEB BUZZ 2008.01.05

The latest sentiment numbers indicate that bond market participants are 99% positive and 1% negative—that's about as lop-sided as anything can get. That explains in good measure why the recent chart on the long bond looks as it does. Money is pouring in at an unprecedented rate. With only 1% left to buy, it would seem that a backup of at least 50 basis points is in order. At the present time a move to 3% or above in yield makes the long bonds a buy again, in our opinion. Please note the chart below.



**From a fundamental standpoint, low government bond yields seem to be the order of the day for at least the next six to eight months. Nowhere is there an economic bottom in sight. We do believe that there may be some good buys in higher grade corporate bonds. As you know, our long predicted large widening spread between corporate bonds and government bonds has taken place, and we would expect those spreads to narrow somewhat as the credit lock-up subsides. In some of our “laddered” accounts, we have sold government bonds, taken our profits, and bought investment grade corporate bonds.**

**2008 has been quite a year. It was in 1995 that we first predicted a 3% yield on the 30-year government bond. Those who laughed at us then have said nary a word as of late. A manager of a huge state pension fund cautioned us back then that if he were us, he wouldn't say such a thing out loud. Another manager based in Austin, Texas spent a whole day telling us why we were wrong. We also had some critics who said, “You always say the same thing.” We haven't heard from them lately either. What we really regret is that many of our clients did not have the patience to stay with us.**

**Happy New Year to All!**